

**BUSINESS & LABOR**

EXHIBIT NO. ~~3~~ 4  
DATE 1/9/09  
BILL NO. 56133

January 9, 2009

Testimony – ~~HB-151~~

Senate Business and Labor

Good morning, Mr. Chair and Members of the Committee. For the record, my name is Susan Witte. I serve as Vice President and General Counsel for Allegiance Benefit Plan Management, Inc., a third party administrator in Missoula.

I also serve in that same capacity for Allegiance Life & Health Insurance Company, Inc., Montana's newest group health insurance company.

We support this legislation and think the housekeeping changes clean up parts of the Montana Insurance Code.

We would support, however, one additional clarification to go into this bill. We talked about the need for this amendment with the State Auditor's office and they are in agreement with the idea.

Basically, the amendment would clarify 33-22-530, MCA, the lapse statute, or "grace period", which arises in situations where an employer group is late in payment of its health insurance premium for the group. Under the current law, the insurer has to notify the employer that the group policy is subject to cancellation for nonpayment of premium. The insurer must give the employer at least 15 days prior notice of cancellation. During this 15 day time period, the insurer holds for processing, or payment, any claims for services it receives during that 15 day period. If no premium comes in, then the insurer is not obligated to pay for those claims, or services, that occurred within that 15 day time period.

None of this changes with the amendment we seek. We ask that the word "incurred" be used instead of the word "received" in section 3 of the statute so as to make it clear that the insurer holds for processing only those claims for **services** that occurred during the 15 day grace period. Claims for services that occurred prior to the lapse notice will continue to be processed because there is insurance premium to cover those claims.

The bottom line is, if there is no consideration, or payment, then there would no coverage. Claims won't be denied for periods of time for which premium was paid.

With this amendment in mind, we would support the bill and thank the Auditor's office and the sponsor for the bill.

Thank you.